

DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

May 22, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 3 TO AUTOMATED REMITTANCE ADVICE AND
EXPLANATION OF BENEFITS DATA SERVICES AGREEMENT WITH
ELECTRONIC DATA
SYSTEMS CORPORATION (All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to sign Amendment No. 3 (Exhibit I), to Automated Remittance Advice and Explanation of Benefits Data Services Agreement No. 14-206370 with Electronic Data Systems Corporation, for the continued provision of financial data management services to all of the County health facilities, at an estimated cost of \$96,000. The term of the amendment is effective July 1, 2003 through June 30, 2005, with a provision for the Director of Health Services to extend the term of the agreement for up to six additional months, through December 31, 2005, upon the mutual consent of County and Contractor.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving this action, the Board is instructing the Director of Health Services (Director), or his designee, to sign Amendment No. 3 with Electronic Data Systems Corporation (EDS) effective July 1, 2003 through June 30, 2005, with a provision for the Director to extend the term of the agreement for up to six additional months, through December 31, 2005, for the continued provision of financial data management services to all of the County health facilities, at an estimated cost of \$96,000, including the extension period.

The County has had long-standing agreements with EDS under which the firm provides critical support to Medi-Cal Remittance Advice, Explanation of Benefits, and Data (RA/EOB/Data) services for County health facilities.

The current agreement is slated to expire on June 30, 2003. The continued provision of this service is essential and integral to the Department of Health Services' (DHS or Department) revenue generation efforts and financial operations during the 24-month extension.

The County has guidelines for the timely submission of contracts for Board approval. However, DHS was unable to submit the recommended amendment three weeks in advance of the effective date, as required under the new policy because of lengthy negotiations with the agency to clarify contract provisions.

FISCAL IMPACT/FINANCING:

The County will continue to reimburse EDS for each adjudicated line of claim at a fee of \$0.06 for individual provider claims and \$0.04 for multiple provider claims. EDS is authorized to increase the fees by the provision of a 30-day advance notice after the expiration of the initial contract term.

Reimbursement to EDS during the 24-month term and extension period (July 1, 2003 through December 31, 2005) remains unchanged and is estimated at \$96,000 (\$48,000 for Fiscal Year [FY] 2003-04 and \$48,000 for FY 2004-05, including any extension period). The total maximum obligation (contract sum) is increased by \$96,000, from \$288,000 to \$384,000 (\$96,000 for the period July 2, 1996 through June 30, 1998; \$96,000 for the period July 1, 1998 through December 31, 2000; \$96,000 for the period January 1, 2001 through June 30, 2003; and \$96,000 for the period July 1, 2003 through December 31, 2005).

Funding is included in DHS' Fiscal Year (FY) 2002-03 Adopted Budget and included in the FY 2003-04 Proposed Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

In April 1988, the State of California approved an exclusive agreement with EDS to act as the fiscal intermediary for processing claims from State Medi-Cal providers, including Los Angeles County. In September 1993, the State/EDS Agreement was renewed for four years, with provisions for three one-year automatic extensions. EDS is the only source for certain essential Medi-Cal data provided in hard copy or magnetic tape format; therefore, the original agreement was approved as a sole source agreement.

On April 4, 1988, the Purchasing Agent approved a Purchase Order agreement for EDS to provide DHS with Medi-Cal RA/EOB/Data services, in magnetic tape format, for EDS-adjudicated and suspended Medi-Cal claims for designated County health facilities.

On February 11, 1992, the Board approved an agreement with EDS to provide RA/EOB/Data services through February 10, 1993, with a County maximum obligation not to exceed \$96,000.

On May 24, 1994, the Board approved a renewal agreement with EDS, which superseded the 1992 agreement without interruption of services, for a term not to exceed two years, with a County maximum obligation of \$96,000.

The Honorable Board of Supervisors

On July 2, 1996, the Board approved a renewal (Contract No. H-206370) agreement with EDS, effective July 2, 1996 through June 30, 1998, with a County maximum obligation of \$96,000. Projected expenditures were \$48,000 for FY 1996-97 and \$48,000 for FY 1997-98.

On June 16, 1998, the Board approved Amendment No. 1 with EDS to extend the term of the agreement, effective July 1, 1998 through June 30, 2000, with provisions for a six month extension through December 31, 2000, and added an additional \$96,000 to the agreement. On December 19, 2000, the Board approved Amendment No. 2 with EDS to extend the term of the agreement, effective January 1, 2001 through December 31, 2002, with provisions for a six month extension through June 30, 2003, and added an additional maximum obligation of \$96,000 to the agreement.

The Department is now recommending Amendment No. 3 with EDS to extend the term of the agreement for an additional two years, effective July 1, 2003 through June 30, 2005, with an option for a 6-month extension through December 31, 2005, at a cost of \$96,000 (estimated at \$48,000 for FY 2003-04 and \$48,000 for FY 2004-05, including any extension period).

Contract monitoring functions are performed by facility staff, the Revenue Services and Financial Applications Division and the DHS Audit and Compliance Division.

Amendment No. 3 includes the Board-mandated provisions (including "Health Insurance Portability and Accountability Act", "Compliance With the County's Jury Service Program", "Notice to Employees Regarding the Safely Surrendered Baby Law", and "Contractor's Acknowledgment of County's Commitment to the Safely Surrendered Baby Law") added since the effective date of the current agreement. The provision for "No Payment For Services Provided Following Expiration/Termination of Agreement" has not been added to the amendment because of the nature of the services and payment mechanism are not of the type applicable to this provision.

The DHS System Redesign will not be impacted as a result of this action because financial data management services will continue to be required.

The current agreement may be terminated at any time by the County by giving at least thirty (30) days prior written notice to the other party.

Attachment A provides additional information. County Counsel has approved the attached Amendment No. 3 (Exhibit I) as to form.

CONTRACTING PROCESS:

The original agreement with EDS was approved as a sole source agreement. EDS has an exclusive agreement with the State of California to act as its fiscal intermediary for processing claims from State Medi-Cal providers, including Los Angeles County.

This amendment provides for an extension of the current sole source agreement. Therefore, the Department did not advertise the amendment on the Los Angeles County Online Web Site as a contracting opportunity because this is for the continued provision of services which the current contractor is uniquely qualified to perform.

The Honorable Board of Supervisors

May 22, 2003
Page 4

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of Amendment No. 3 with EDS will continue the provision of these financial data management services at the current level.

When approved, the Department requires three signed copies of the Board's action.

Respectfully submitted

~

as J.~I.~rthwatte, M.D.
Director and Chief Medical Officer

TLG:rw

Attachments

Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller

BLETC2777RW
0411512003

ATTACHMENT A

SUMMARY OF AMENDMENT

TYPE OF SERVICE:

Electronic (Medi-Cal) Remittance Advice/Explanation of Benefits and Data services.

2. AGENCY ADDRESS AND CONTACT PERSON:

Electronic Data Systems Corporation (EDS)
3215 Prospect Park Drive
Rancho Cordova, California 95670
Attention: Dennis Dworin
Telephone: (916) 636-1035

3. TERM OF AGREEMENT:

Amendment No. 3 to Agreement No. 14-206370 will be effective July 1, 2003 through June 30, 2005, with provisions for the Director of Health Services to extend the term of the agreement for up

to six additional months, through December 31, 2005, upon the mutual consent of County and Contractor.

4. FINANCIAL INFORMATION:

The County will reimburse EDS for each adjudicated line of claim at a fee of \$0.06 for individual provider claims and \$0.04 for multiple provider claims. EDS is authorized to increase the fees by the provision of a 30-day advance written notice after the expiration of the initial contract term. The total maximum obligation (contract sum) is increased by \$96,000, from \$288,000 to \$384,000.

07/02/96- 06/30/98	07/01/98- 12/31/00	01/01/01- 06/30/03	07/01/03- 12/31/05	
Original <u>Funding</u>	Amendment <u>No. 1</u>	Amendment <u>No. 2</u>	Amendment <u>No. 3</u>	Maximum <u>Obligation</u>
\$ 96,000	\$ 96,000	\$ 96,000	\$ 96,000	\$ 384,000

5. RESPONSIBLE FOR MONITORING:

Lawrence Gatton, Chief~ Revenue Services and Financial Applications

6. APPROVALS:

Finance:	Gary W. Wells, Director of Finance
Contracts and Grants Division:	Riley J. Austin, Acting Chief
County Counsel (approval as to form):	Christina A. Salseda, Deputy County Counsel